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RUEKJCS/SECDEF WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 2554
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C O N F I D E N T I A L SECTION 01 OF 05 KATHMANDU 000669

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SUBJECT: NEPAL: INTERIM GOVERNMENT WITH MAOISTS SWORN IN,
ANNOUNCES JUNE ELECTION

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

Summary and Introduction

¶1. (C) On April 1, after days of bickering between the parties, Prime Minister and Nepal Congress (NC) President G.P. Koirala administered the oath of office to an interim Nepali government. The 16 ministers and five state ministers include five Maoists. Koirala once again kept the defense ministry for himself. Contrary to expectations, the ineffectual Krishna Prasad Sitaula (NC) was re-appointed Home Minister. There was no change at Finance either: Ram Sharan Mahat (NC) was re-named. Ram Chandra Poudel (NC's General Secretary) was tapped to head the newly established Peace and

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Reconciliation Ministry and serve as the senior member of the cabinet. Sahana Pradhan, who is 75, replaced her Communist Party of Nepal-United Marxist Leninist (CPN-UML) colleague K.P. Oli as Foreign Minister. Maoist spokesman and chief peace negotiator Krishna Mahara became Minister for Information and Communication and the senior Maoist in the interim cabinet. The eight parties reportedly signed a Common Minimum Program, a Ministerial Code of Conduct, and a restatement of prior peace commitments between the Seven-Party Alliance (SPA) and the Maoists. The parties also agreed to hold the Constituent Assembly election on June 22.

Interim Government Sworn In

¶2. (SBU) At 1:30 p.m. on April 1, the Interim Parliament unanimously re-appointed Girija Prasad Koirala to be the Prime Minister of the Interim Government. Koirala, who is also President of the Nepali Congress (NC), had presented his resignation as PM of the previous government to the Speaker shortly before. The Prime Minister subsequently administered the oath of office and secrecy to 16 ministers and five state ministers at the National Planning Commission. The names of the new ministers were then read in the Parliament in a ceremony attended by the Ambassador and other members of the diplomatic corps. The NC, the CPN-UML, the Communist Party of Nepal-Maoist (Maoist), and Nepali Congress-Democratic

(NC-D) divided the top portfolios among themselves. Other minor parties in the Seven-Party Alliance (SPA) split up the remaining ministries: one to the Terai-based Nepal Sadbhavana ("Goodwill") Party-Anandi Devi (NSP-A), one to the People's Front Nepal (PFN), and one to the United Left Front (ULF). The parties agreed there would be no Deputy Prime Minister.

Other Agreements Reached/Elections Announced

¶3. (SBU) The eight parties reportedly signed three agreements before the swearing-in ceremony: a Common Minimum Program for the Interim Government, a code of conduct for the ministers, and a restatement of past agreements between the Maoists and the SPA. The restatement included provisions binding the Maoists to end extortion, intimidation, and violence and provided for the establishment of a monitoring committee. (Note: All of these commitments had been covered in previous agreements as well, including the November 2006 Comprehensive Peace Agreement. End note.) The eight parties also agreed to hold the Constituent Assembly election on June 22. A further agreement was reportedly reached which would allow the Interim Parliament to declare Nepal a republic through a two-thirds majority vote if royalists were to attempt to sabotage the June 22 election.

Party Bickering Holds Up Decision

¶4. (SBU) Although an agreement on the formation of the interim government was reached the evening of March 30, continued bickering among the parties over who would fill the cabinet seats, especially between the NC and CPN-UML, held up the final decision. The CPN-UML appointed Sahana Pradhan, an ailing 75 year-old woman, who had held a senior position in

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the democratic government formed after the 1990 People's Movement, as its Foreign Minister nominee and the leader of its delegation in the government. This was widely seen as an effort to ensure that she would be declared the senior-most minister and, thus, first in the line of succession to the Prime Minister. According to press reporting, PM Koirala wanted that position to go to someone in his own NC party instead. After hours of argument, during which the CPN-UML held an emergency meeting, the eight parties agreed that NC General Secretary Ram Chandra Poudel would be the senior-most minister; Pradhan would hold the next position, followed by Maoist Information Minister Krishna Mahara.

Ministerial Portfolios

¶5. (SBU) The Ministers in the new government, their portfolios, and party affiliation are as follows:

Nepali Congress Party

- Prime Minister: Girija Prasad Koirala
- Defense Minister: Girija Prasad Koirala
- Peace and Rehabilitation Minister: Ram Chandra Poudel
- Minister for Science and Technology: Mahanta Thakur
- Finance Minister: Ram Sharan Mahat
- Home Minister: Krishna Prasad Sitaula
- State Minister: Indra Bahadur Gurung (portfolio unclear as of this writing)

Communist Party of Nepal-United Marxist Leninist

- Minister of Foreign Affairs: Sahana Pradhan
- Minister for Education and Sports: Pradeep Nepal
- Minister of Culture, Tourism, and Civil Aviation: Prithvi Subba Gurung
- Minister of Agriculture and Cooperatives: Chhabi Lal

Biswokarma

- State Minister for General Administration: Ram Chandra Yadav
- State Minister for Education and Sports: Mahendra Singh Rathore

Communist Party of Nepal-Maoist

- Minister for Information and Communication: Krishna Bahadur Mahara
- Minister for Local Development: Dev Gurung
- Minister for Works and Physical Planning: Hisila Yami
- Minister for Forest and Soil Conservation: Matrika Prasad Yadav
- Minister for Women, Children and Social Welfare: Khadga Bahadur Biswokarma

Nepali Congress-Democratic

- Minister for Law, Justice, and Parliamentary Affairs: Narendra Bikram Nemwang
- State Minister for Labor and Transport Management: Ramesh Lekhak
- State Minister for Water Resources: Gyanendra Bahadur Karki

Nepal Sadbhavana Party-Anandi Devi

- Minister of Industry, Commerce, and Supplies: Rajendra Mahato

United Left Front

- Minister of Land Reform and Management: Jagat Bahadur Bogati

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People's Front Nepal

- Minister of Health: Amik Sherchan

Eight Parties Agree on Common Minimum Program

16. (SBU) The eight parties reportedly agreed on a Common Minimum Program (CMP) to promote "Nepal's national interest, democracy, and progression." The main points in the CMP are:

- A free and fair Constituent Assembly election on June 22.
- Promotion of competitive politics, human rights, and press freedom.
- Strict implementation of November 2006 peace accord.
- Formation of peace and rehabilitation, truth and reconciliation, and state restructuring commissions.
- Reformation of the Nepal Army, and formation of a special cabinet committee to oversee, integrate, and rehabilitate Maoist combatants.
- Proper management of Maoist cantonments.
- An end to corruption.
- Nationalization of royal property.
- End to strikes and bandhs (closures).
- Reconstruction of destroyed infrastructure.
- Declaration of education and health institutions as peace zones.
- Creation of an investment-friendly environment.
- Strong action against willful loan defaulters.
- Creation of a common development strategy and effective social reforms and welfare programs.

Code of Conduct for the Ministers

¶7. (SBU) The eight parties reportedly agreed on a code of conduct for the ministers in the Interim Government. It consists of:

- Immediate ouster of ministers involved in corruption.
- Political appointments to be based on political consensus.
- Implementation of eight-party decisions the major duty of Ministers.
- No public comment on matters of cabinet debate.
- Respect for a coalition culture.

Restatement of Peace Commitments

¶8. (SBU) The eight parties reportedly signed an agreement reemphasizing previous commitments between the SPA and the Maoists. The main points are:

- The Maoists will stop extortion and intimidation and return all seized property.
- Government forces and the Maoists will vacate all forcefully captured buildings.
- All weapons outside of cantonments will be declared illegal.
- A joint committee will be formed for monitoring all peace agreements.

Embassy Releases Press Statement

¶9. (U) Post released a statement after the formation of the interim government. Text is below:

Begin text.

U.S. Embassy Backs Peace Process, CA Elections As Soon As Possible

Upon formation of the Interim Government, the U.S. Embassy reaffirms its full support for the peace process in Nepal. The next step in this process should be the holding of Constituent Assembly elections as quickly as possible.

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The government must create an atmosphere for free and fair elections by vigorously enforcing law and order throughout the country.

The Communist Party of Nepal (Maoist), which to date has refused to abandon violence, must finally do so. As a partner in the Interim Government, the Maoists must now be held fully accountable for their actions. They must meet their commitments and at last join the mainstream as a non-violent political party.

The United States also urges the new government to initiate a comprehensive national dialogue with all ethnic groups to hear their grievances and to promote unity. If the peace process is to succeed, unity must be forged, law and order enforced, and security maintained. The Nepali people deserve nothing less from their servants - the new Interim Government.

End text.

Comment: Maoists Appear The Big Winners...

¶10. (C) Without having to make any changes in their behavior, the Maoists have won yet another battle with Nepal's democratic parties, and Nepal's citizens are likely to suffer the consequences. Now that the Maoists are inside the Interim Government, Prime Minister Koirala's Nepali Congress and its two principal allies, the CPN-UML and the Nepali Congress - Democratic, will find it even more difficult to force the Maoists to end their abuses. Unlike some observers here, who expect the responsibilities of government to have a

moderating effect on the Maoists, we expect them rather to be emboldened. The PM's astonishing decision to re-appoint the weak, Maoist-accomodating Krishna Sitaula as Home Minister sends exactly the wrong signal on enforcing law and order. NC insiders report that Koirala, who was primed to dump Sitaula, kept him on after the Maoists said they would not join the government if the Home Minister were changed. The Government of India's (GOI) insistence on rapid formation of an interim government, with Maoists, presumably played a role in Koirala's decision to cave to this latest example of Maoist political blackmail.

...The Terai Likely To Boil?...

11. (C) Sitaula's retention leaves little hope that law enforcement will improve. Moreover, the main demand of the protesting groups in the Terai was Sitaula's resignation. Continuing unrest in that crucial border region could make it extraordinarily difficult for the new government to stick to its June 22 date for the Constituent Assembly election. The United Nations Mission in Nepal has already privately indicated that it is not technically feasible to hold free and fair elections by then. A combination of continuing Maoist atrocities, growing unrest in the Terai, and mounting dissatisfaction among Nepal's ethnic minorities will bedevil Nepal's political situation in the run-up to the scheduled election.

Making Lemonade...

12. (C) With the Maoists attempting to squeeze the life out of Nepal's fledgling democracy and the parties committed to an unrealistic date of June 22 for the election, we are now in crunch-time. The United States and other key international actors have less than three months to assist Nepal's Election Commission with the technical aspects of Nepal's election preparations and to strengthen the Nepali Police's effort to provide election security. We also have little time left to get a large number of election observers on the ground to bolster domestic efforts to hold the Maoists to their commitment to free and fair elections. Meanwhile, if Maoist intimidation and violence continue, and the

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elections become tainted, we need to make sure that both international and domestic observers are ready to call the entire exercise a sham and that the Maoists are aware of this. The United Nations and India will play a significant role in the coming weeks, but if we are to contribute in these key areas, we will need additional resources and high-level support.

13. (C) As we have just seen, India wields considerable influence here, and we need to make sure that influence is a positive one. Based on reporting from Embassy New Delhi, the GOI appears to be convinced that a reasonably free and fair Constituent Assembly election can be pulled off by June. We hope the GOI is right. The South Asian Association for Regional Cooperation (SAARC) Summit, which begins the week of April 2 in New Delhi, provides us with the perfect opportunity to better understand why Nepal's closest partner holds this more optimistic view. If the U.S. and India can ensure our policies are closely coordinated, perhaps that brighter future will become a reality.

MORIARTY